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Southern District of New York***

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**U.S. CHARGES EX-WORLDCOM CEO BERNARD EBBERS;  
FORMER WORLDCOM CFO SCOTT SULLIVAN PLEADS GUILTY**

JOHN ASHCROFT, the Attorney General of the United States, DAVID N. KELLEY, the United States Attorney for the Southern District of New York, and PASQUALE D'AMURO, the Assistant Director in Charge of the FBI New York Field Office, announced today the unsealing in Manhattan federal court of a Superseding Indictment charging BERNARD J. EBBERS, the former Chief Executive Officer and President of WorldCom, Inc. ("WorldCom"). The Superseding Indictment charges EBBERS with conspiracy and securities fraud in connection with his participation from September 2000 through June 2002 in a scheme to inflate artificially the price of WorldCom common stock by hiding from investors the truth about WorldCom's declining operating performance and financial results.

The Superseding Indictment also alleges new charges against former WorldCom Chief Financial Officer SCOTT D. SULLIVAN, who was first charged with participating in the WorldCom fraud in July 2002. Today, following the unsealing of the Superseding Indictment, SULLIVAN pled guilty in Manhattan federal court to all of the charges in the Superseding Indictment.

### **The Superseding Indictment**

The Superseding Indictment alleges that by September 2000, EBBERS, SULLIVAN, and others knew that WorldCom's true operating performance and financial results had fallen materially below the expectations of Wall Street securities analysts. Rather than reveal WorldCom's true condition, which would likely have resulted in a decline in the price of WorldCom's stock, EBBERS insisted that WorldCom publicly report financial results that met analysts' expectations, according to the Superseding Indictment.

To accomplish this goal, EBBERS and SULLIVAN agreed that false and fraudulent adjustments would be made to WorldCom's books and records, it is alleged. According to the Superseding Indictment, from September 2000 through June 2002, to disguise WorldCom's true operating performance and financial results, EBBERS, SULLIVAN, and their co-conspirators manipulated artificially the following items in WorldCom's publicly filed

financial statements: reported revenue; Selling, General, and Administrative expenses ("SG&A"); line cost expenses; Earnings Before Income, Depreciation, Taxes, and Amortization ("EBITDA"); depreciation expenses; net income; and earnings per share ("EPS"). The Superseding Indictment charges that EBBERS and SULLIVAN knew that the aggregate effect of these adjustments - which were made in large, round-dollar amounts and consistently totaled hundreds of millions of dollars per quarter - was to present a materially false and misleading picture of WorldCom's true operating performance and financial results.

According to the Superseding Indictment, to further the scheme, EBBERS, SULLIVAN, and their co-conspirators caused WorldCom to file financial statements with the United States Securities & Exchange Commission (the "SEC") that presented a materially false and misleading picture of WorldCom's operating performance and financial results, including Quarterly and Annual Reports that misrepresented WorldCom's revenue, expenses, EBITDA, and EPS. The Superseding Indictment also alleges that EBBERS and SULLIVAN made repeated statements to members of the investing public - including in periodic conference calls with securities analysts - that contained material false statements and misleading omissions concerning WorldCom's operating performance and financial results. For example, in an April 26, 2001, conference call with analysts, EBBERS falsely stated that he saw

no "storms on the horizon" for WorldCom. In a February 7, 2002 CNBC interview, according to the Superseding Indictment, EBBERS falsely claimed that WorldCom was a "sound financial company" that had "been very conservative" in its accounting practices.

When the truth about WorldCom's operations and finances began to be revealed in June 2002, its stock price plummeted, falling more than 90 percent and erasing more than \$2 billion in shareholder value, according to the charges.

The Superseding Indictment charges EBBERS and SULLIVAN each with one count of conspiracy to commit securities fraud, to make false filings with the SEC, and to falsify books and records of WorldCom, and two counts of securities fraud. The conspiracy charge carries a maximum sentence of 5 years in prison and a fine of the greatest of \$250,000 or twice the gross gain or loss resulting from the offense. Each of the securities fraud counts carries a maximum sentence of 10 years in prison and a fine of the greatest of \$1 million or twice the gross gain or loss resulting from the offense.

#### **Sullivan's Guilty Plea**

In his guilty plea entered today before United States District Judge BARBARA S. JONES, SULLIVAN stated that, as the Superseding Indictment charged, from September 2000 through June 2002, he participated with other former WorldCom officers and employees in the illegal scheme described above. Sullivan's plea

was entered pursuant to an agreement in which he agreed to cooperate with the Government in connection with ongoing investigations and prosecutions.

SULLIVAN is also expected shortly to enter a guilty plea to related charges in Mississippi state court.

\* \* \*

EBBERS, 62, resides in Jackson, Mississippi. He is expected to be arraigned on the Superseding Indictment before Judge JONES tomorrow.

SULLIVAN, 41, resides in Boca Raton, Florida.

Mr. ASHCROFT stated: "The charges filed today are another example of the Department of Justice's commitment to thoroughly investigating and prosecuting perpetrators of corporate fraud to the highest levels of management. Corporate executives who cheat investors by deceiving them about the true nature of their businesses are not above the law and will be held responsible."

Mr. KELLEY, a member of the President's Corporate Fraud Task Force, which is headed by Deputy Attorney General JAMES B. COMEY, praised the efforts of the FBI, and thanked the SEC for its assistance in the investigation.

Separately today, STEPHEN M. CUTLER, the Director of the SEC's Division of Enforcement, announced the filing and

simultaneous settlement of a civil action against SULLIVAN arising out of the fraudulent scheme described above.

Assistant United States Attorneys DAVID B. ANDERS, WILLIAM F. JOHNSON and BONNIE JONAS are in charge of the prosecution.

The charges contained in the Superseding Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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